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In the Supreme Court of the United States

OCTOBER TERM, 1982

ASSOCIATION OF CO-OPERATIVE MEMBERS, INC. and ELMER GIBSON,

Petitioners,

vs.

FARMLAND INDUSTRIES, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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Elmer Gibson

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QUESTIONS PRESENTED

1. Whether a trademark licensee can acquire common law rights in and to a composite trademark, the principal word of said composite mark being owned by and licensed from another.

2. Whether the Licensee Estoppel Doctrine which holds, in part, that all rights in and to a licensed trademark inure to the benefit of the trademark licensor is controlling in this case.

STATEMENT OF INTERESTED PARTIES

The parties having an interest in the outcome of this case, pursuant to Rule 21.1(b) of the Rules of the Supreme Court, are listed as follows:

1. Association of Co-Operative Members, Inc.

2. Elmer Gibson

3. Associated Agencies, Inc.

4. Farmland Industries, Inc.

5. Farmland Life Insurance Company

6. Universal Cooperatives, Inc.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

Petitioners Association of Co-Operative Members, Inc. and Elmer Gibson respectfully pray that a Writ of Certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Fifth Circuit entered in this proceeding on September 3, 1982.

OPINIONS BELOW

The opinion of the United States District Court, Western District of Texas, is reproduced as Appendix "A" hereto. The opinion of the United States Court of Appeals for the Fifth Circuit is reproduced as Appendix "B" hereto.

The denial of the Petition for Rehearing is reproduced as Appendix "C" hereto. The affidavit of Floyd E. Grabiel II is reproduced as Appendix "D" hereto.

JURISDICTION

The judgment of the Court of Appeals for the Fifth Circuit was entered on September 3, 1982. A timely Petition for Rehearing was denied on October 4, 1982, and this Petition for Certiorari was filed within ninety (90) days of that date. This Court's jurisdiction is invoked under U.S.C. 1254(1).

TEXT OF AUTHORITIES INVOLVED

1. United States Code, Title 15, Section 1057b:

> A certificate of registration of a mark upon the principal register provided by this Act shall be prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated therein.

2. United States Code, Title 15, Section 1111:

> Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered in the Patent and Trademark Office, may give notice that his mark is registered by displaying with the mark as used the words "Registered in

U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." or the letter R enclosed within a circle, thus ® ; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration.

STATEMENT OF THE CASE

In May, 1979, Petitioner Association of Co-Operative Members, Inc. filed a petition against Respondent in the District Court of Bexar County, Texas, primarily alleging unfair trade practices, fraud and deception. Respondent timely removed the action to the United States District Court for the Western District of Texas, San Antonio Division, on the basis of the parties' diversity of citizenship. Thereafter Respondent Farmland Industries, Inc. and Farmland Life Insurance Company filed a counterclaim against the Association and General Life and Accident Insurance Company.

On December 8, 1980, Respondent and Farmland Life amended their counterclaim, suing the Association, Gibson and Gibson's alleged alter-ego, Associated Agencies Inc., for trademark infringement under Texas law and false representation and false designation of origin under 15 U.S.C. 1125, and dismissed General Life.

On May 28, 1981, the trial court granted Respondent Farmland Industries, Inc.'s Motion for Partial Summary

Judgment, reproducted as Appendix "A" hereto. Petitioners appealed and the Fifth Circuit on September 3, 1982, entered its judgment and opinion; a petition for rehearing was denied on October 4, 1982.

REASONS RELIED ON FOR GRANTING THE WRIT

QUESTION 1—COMMON LAW TRADEMARK

Respondent claims exclusive common law trademark rights in and to a composite mark consisting of the word "COOP" within two meshed circles, as shown, and hereafter designated the Double Circle COOP mark.

The mark illustrated has not been registered by Respondent in any state or in the United States Patent and Trademark Office. It is to be noted that a notice of trademark registration, namely, the letter R enclosed within a circle, as provided in 15 U.S.C. 1111, appears within the composite mark. As stated in the affidavit of Floyd E. Grabiel II (Addendum "D"), Universal Cooperatives, Inc. is the owner of "CO-OP" and licenses Respondent to use "COOP" in the composite mark.

The Fifth Circuit in points [6,7] of its opinion questions whether Respondent Farmland's inclusion in its mark of a prominent element it concedes to belong to Universal prevents it from asserting a valid common law trademark in the entire composite. Furthermore, the Court stated that since Respondent's infringement claim is governed by state law, the issue must be decided as a Texas court would. "The Texas courts have apparently not had occasion to consider the question. We conclude, however, that they would adhere to the general common law principles that other courts have uniformly applied. See *Blue Bell, Inc. v. Farah Manufacturing Co.*, 5 Cir. 1975, 508 F.2d 1260, 1264."

In *Blue Bell, supra*, point [3], the Fifth Circuit held:

> This court must therefore determine what principles the highest state court would utilize in deciding such a question. In view of the statute's stated purpose to preserve common law rights, we conclude the Texas Supreme Court would apply the statutory provision in light of *general principles of trademark* law. (Emphasis Supplied)

In *Warner Bros. Inc. v. Road Runner Car Wash, Inc.*, 189 USPQ 430, based upon general principles of trademark law and wherein a license is involved, it was held that a mere licensee acquires no rights as against the licensor in the licensed mark; licensor, not licensee, is the owner thereof.

"A licensee of a trademark or trade name may not set up any adverse claim in it as against its licensor." *Pacific Supply Cooperative v. Farmers Union Central Exchange, Incorporated and National Cooperatives, Inc.*, 318 F.2d 894.

Turner v. HMH Publishing Co., 154 USPQ 330, supports the contention that use by a controlled licensee inures to the benefit of the registrant, even though the registrant did not itself use the mark. *Mr. Rooter Corporation et al. v. Morris et al.*, 188 USPQ 392.

Since Farmland Industries, Inc. is a member of Universal Cooperatives, Inc., any use of the registered mark by the licensee inures to the benefit of the licensor; Universal Cooperatives, Inc., the trademark licensor, is the owner of the illustrated Double Circle COOP trademark.

QUESTION 2—LICENSEE ESTOPPEL DOCTRINE

Referring again to the Double Circle COOP mark heretofore illustrated, the leading trademark authorities, namely, Vandenburgh, Callmann and Gilson present the general principles of the Licensee Estoppel Doctrine as applied to trademarks.

"The use by the licensee builds up no rights in the mark as against the licensor. The licensee is estopped to deny the licensor's ownership of the mark, ..." Vandenburgh, *Trademark Law and Procedure*, pg. 177.

"By virtue of the contract the licensee is estopped from claiming any rights against the licensor adverse to the terms of the license or the circumstances of use;" Callmann, *The Law of Unfair Competition Trademarks and Monopolies, 1980 Cumulative Supplement*, pg. 454.

The Licensee Estoppel Doctrine "...prohibits the licensee from claiming ownership rights in the licensed mark, ..." "By entering into the license agreement, the licensee recognizes the licensor's ownership of the mark and, by implication, covenants not to challenge the licensor's rights." Gilson, *Trademark Protection and Practice, Volume 1, February 1982 Cumulative Supplement*, pg. 6-40.

"Licensee of trademark or trade name may not set up any adverse claim in it as against its licensor." "Doctrine of licensee estoppel does not permit indirect or direct attack by licensee on its licensor's title to mark." *Seven-Up Bottling Company v. The Seven-Up Company, et al.*, 192 USPQ 121.

"Trademark licensee is estopped from questioning licensor's ownership of licensed rights;" *Distillerie Flli Ramazzotti, S.P.A. v. Banfi Products Corporation*, 151 USPQ 551.

The New York Trust Company et al. v. Believe It Or Not, Inc., et al., 118 USPQ 119, holds that a trademark licensee is estopped to question licensor's ownership of mark.

Referring again to the Grabiel affidavit (Addendum D), affiant lists twenty-five incontestable trademark registrations for the word "CO-OP", the majority of these registrations have been in full force and effect since 1933.

"A certificate of registration of a mark upon the principal register provided by this Act shall be prima facie evidence of the validity of the registration, *registrant's ownership of the mark, and of registrant's exclusive right to use the mark* ...." (Emphasis Supplied), 15 U.S.C. 1057b.

As amply supported by the enumerated case law relating to estoppel and the provisions of the Licensee Estoppel Doctrine, any use of the mark permitted by the uncontroverted owner of the mark "CO-OP" inures to the benefit of the licensor, Universal. Accordingly, as a matter of law, Respondent may not acquire exclusive common trademark rights in the Double Circle COOP mark.

CONCLUSION

The Supreme Court has stated that "The commercial impression of a trade-mark is derived from it as a whole, not from its elements separated and considered in detail. For this reason it should be considered in its entirety..."; *Beckwith*, 252 U.S. at 545-46.

It has been consistently held that marks such as the mark involved herein are unitary and cannot be dissected. Much less can it be said that different parties can own

segmented sections of the same unitary mark. The parts of the mark do not in themselves operate to indicate different ownerships. To permit different parties to claim ownership of the same mark would not only cause confusion among consumers of goods and services but by allowing segmented parts of unitary marks to be owned by different parties would open the door to great mischief in commerce.

Since Farmland's contribution to the composite mark is only the two meshed circles, this logo design merges into the dominant portion of the mark, viz., "COOP" and since two parties cannot own different segments of a unitary mark, the entire mark must be owned by Universal, the registrant of the dominant "COOP."

For these reasons, a writ of certiorari should issue to review the judgment and opinion of the Fifth Circuit.

Respectfully submitted,

JOHN C. STAHL
Attorney for Petitioners,
Association of Co-Operative
Members, Inc.
and Elmer Gibson